

Message Text

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SUBJECT: FOREIGN TRADE TRENDS FIVE MONTH DATA

SUMMARY: DATA FOR FIVE MONTHS SHOW FURTHER DETERIORATION IN YUGOSLAV EXPORTS TO HARD CURRENCY MARKETS PRIMARILY WESTERN EUROPE AND A GROWING TRADE DEFICIT. END SUMMARY.

1. MOST STRIKING ASPECT OF GLOBAL FOREIGN TRADE STATISTICS FOR FIRST FIVE MONTHS 1975 IS CONTINUING DETERIORATION OF YUGOSLAV EXPORTS TO HARD CURRENCY MARKETS PRIMARILY WESTERN EUROPE.

2. ACCORDING TO ECONOMIC WEEKLY EKONOMSKA POLITIKA THE VALUE OF EXPORTS IN FIRST FIVE MONTHS 1975 INCREASED 8 PERCENT COMPARED TO FIRST FIVE MONTHS OF 1974 WHILE VALUE OF IMPORTS INCREASED 15 PERCENT. TRADE EXPORT VALUE FOR FIVE MONTHS IS 28,217 MILLION DINARS AND TRADE IMPORT VALUE SAME PERIOD IS 55,302 MILLION DINARS.

3. GEOGRAPHIC STRUCTURE OF FOREIGN TRADE SHOWS EXPORTS (VALUE) TO DEVELOPED COUNTRIES DECREASED 20 PERCENT IN FIRST

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FIVE MONTHS OF 1975 COMPARED TO SAME PERIOD 1974, WHILE

IMPORTS (VALUE) FROM DEVELOPED COUNTRIES ROSE 18 PERCENT. YUGOSLAV TRADE WITH EASTERN EUROPEAN COUNTRIES FARED BETTER: EXPORTS TO EASTERN EUROPE ROSE 24 PERCENT, WHILE IMPORTS FROM EASTERN EUROPE INCREASED 13 PERCENT. YUGOSLAV EXPORTS TO LDC'S INCREASED 86 PERCENT AND IMPORTS FROM LDC'S WERE UP 5 PERCENT.

4. IN 1975 YUGOSLAVIA IS IN DEFICIT POSITION WITH DEVELOPED, EASTERN EUROPEAN, AND DEVELOPING COUNTRIES AS GROUPS. HOWEVER, ACCORDING TO MOST RECENT DATA ALMOST 87 PERCENT OF GLOBAL DEFICIT IS WITH DEVELOPED COUNTRIES WHICH ACCOUNT FOR ABOUT 62 PERCENT OF YUGOSLAV IMPORTS (VALUE), BUT TAKE ONLY 37 PERCENT OF YUGOSLAV EXPORTS (VALUE), YUGOSLAV EXPORTS TO DEVELOPED COUNTRIES NOW COVER ONLY ABOUT 35 PERCENT OF YUGOSLAV IMPORTS FROM SAME COUNTRIES.

5. IN ANALYZING EXPORT TRENDS BY MONTH WE SEE EXPORTS (VALUE) INCREASED 14 PERCENT IN MAY WHICH SOME HAVE INTERPRETED AS SIGNALLING TURNAROUND IN DOWNWARD TREND. HOWEVER, MAY FIGURES INCLUDE SALE OF LARGE SHIPS WHICH PROVIDE ONE-SHOT BOOST TO EXPORT FIGURES AND UNOFFICIAL DATA FOR FIRST HALF OF JUNE INDICATES CONTINUED DECLINE OF EXPORTS TO DEVELOPED MARKETS.

6. WHILE LEVEL OF IMPORTS IS TOO HIGH IN RELATION TO EXPORT EARNINGS, ACTUAL VOLUME OF IMPORTS IN 1975 HAS INCREASED ONLY SLIGHTLY AND THUS FAR BASIC FAILURE OF 1975 FOREIGN TRADE GOALS IS CLEARLY SLACKENED EXPORTS TO DEVELOPED MARKETS.

7. YUGOSLAV EXPORTS OF RAW MATERIALS AND SEMIMANUFACTURES, PRODUCTS OF CHEMICAL INDUSTRY, ANIMAL AND VEGETABLE OILS AND FATS, FURNITURE, AND MINERAL FUELS ARE ALL DISAPPOINTING IN 1975.

8. IN FIRST FIVE MONTHS YUGOSLAV IMPORTS OF EQUIPMENT ROSE 50 PERCENT. IMPORTS OF RAW MATERIALS AND SEMI-MANUFACTURES INCREASED 15.5 PERCENT. ON POSITIVE SIDE CONSUMER GOOD IMPORTS DECREASED 20 PERCENT AND FOOD IMPORTS DECLINED GREATLY. YUGOSLAVIA IS NOT EXPECTED TO IMPORT CORN OR WHEAT LIMITED OFFICIAL USE

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IN 1975.

9. CAUSES OF EXPORT DECLINE TO WESTERN MARKETS INCLUDE WEAK DEMAND IN THOSE MARKETS AS WELL AS STRONG DOMESTIC DEMAND THAT ENCOURAGES SOME FIRMS TO SELL AT HOME RATHER THAN INCUR THE EFFORT OF EXPORTING. BUT YUGOSLAVS ARE SLOWLY ADMITTING THAT HIGH RATE OF DOMESTIC INFLATION MAY BE PRICING SOME PRODUCTS OUT OF COMPETITION ON

WESTERN EUROPEAN MARKETS.

10. COMMENT: YUGOSLAVIA HAS ADOPTED SOME MEASURES TO RESTRAIN IMPORT GROWTH (SEE BELGRADE 3213, 3187 AND A-171) AND DEVELOPMENT POLICY EMPHASIZES IMPORT SUBSTITUTION, GROWTH OF PRODUCTION IN PRIORITY SECTORS OF ENERGY, RAW MATERIALS AND AGRICULTURE. IN ADDITION, ECONOMIC POLICY FOR REMAINDER OF 1975 WILL ATTEMPT TO MODERATE DOMESTIC PRODUCTION BOOM AND THEREBY EASE IMPORT REQUIREMENTS. MEASURES TO STIMULATE EXPORTS HAVE TRADITIONALLY CENTERED ON EXPANDING CREDIT FACILITIES BUT IN THE FUTURE MAY ALSO INCLUDE EMPHASIS ON CONTROLLING INFLATION AND INCREASNG LABOR PRODUCTIVITY.

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